

Chapter 6. Refinancing Loans

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1. Interest Rate Reduction Refinancing Loans (IRRRLs)

Change Date

September 15, 2004, Change 4

- This section has been changed to create subsection lettering.
 - Subsection b adds a reference to the hybrid ARM pilot program.
 - Subsections e and r clarify the veteran's statement and the lender's certification disclosures.
 - Subsection r deleted references to obsolete funding fee forms.
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a. What is an IRRRL?

An IRRRL is a VA-guaranteed loan made to refinance an existing VA-guaranteed loan, generally at a lower interest rate than the existing VA loan, and with lower principal and interest payments than the existing VA loan.

Generally, no appraisal, credit information or underwriting is required on an IRRRL, and any lender may close an IRRRL automatically.

Note: Exceptions and specific requirements are explained in the remainder of this section.

b. Interest Rate Decrease Requirement

An IRRRL (which **can be a fixed rate or hybrid ARM**) must bear a lower interest rate than the loan it is refinancing unless the loan it is refinancing is an Adjustable Rate Mortgage (ARM).

c. Payment Decrease/Increase Requirements

The principal and interest payment on an IRRRL must be less than the principal and interest payment on the loan being refinanced unless one of the following exceptions applies:

- The IRRRL is refinancing an ARM,
- Term of the IRRRL is shorter than the term of the loan being refinanced, or
- Energy efficiency improvements are included in the IRRRL.

A significant increase in the veteran's monthly payment may occur with any of these three exceptions, especially if combined with one or more of the following:

- financing of closing costs
 - financing of up to 2 discount points
 - financing of the funding fee, and/or higher interest rate when an ARM is being refinanced.
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1. Interest Rate Reduction Refinancing Loans (IRRRLs),

Continued

c. Payment Decrease/Increase Requirements (continued)

If the monthly payment (PITI) increases by 20 percent or more, the lender must:

- determine that the veteran qualifies for the new payment from an underwriting standpoint; such as, determine whether the borrower can support the proposed shelter expense and other recurring monthly obligations in light of income established as stable and reliable, and
 - include a certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more
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d. Veteran's Statement and Lender's Certification

For all IRRRLs, the veteran must sign a statement acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate.

The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. The statement must also indicate how long it would take to recoup ALL closing costs (both those included in the loan and those paid outside of closing).

If the monthly payment (PITI) increases by 20 percent or more, the lender must include a certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.

EXAMPLE:

- Vet's monthly payment decreases by \$50.00
- Vet pays \$5,000 in closing costs (includes all costs – closing costs, funding fee, discounts, etc.)
- recoup closing costs in 100 months - \$5,000 divided by \$50

NOTE: This would not be required in those limited cases where the payment is not decreasing (reduced term of loan, etc.).

The veteran's statement may be combined with the lender's certification.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs), Continued

e. What Closing Costs, and so on, can be Included in the Loan?

The following fees and charges may be included in an IRRRL:

- The VA funding fee, and
- any allowable fees and charges discussed in [section 2 of chapter 8](#); such as, all allowable closing costs, including the lender's flat charge.

However, There Is One Limitation

While the borrower may pay any reasonable amount of discount points in cash, only up to two discount points can be included in the loan amount.

Although VA does **not** require an appraisal or credit underwriting on IRRRLs, any customary and reasonable credit report or appraisal expense incurred by a lender to satisfy its lending requirements may be charged to the borrower and included in the loan.

The lender may also set the interest rate on the new loan high enough to enable the lender to pay all closing costs, as long as the requirements for lower interest rate and payments (or one of the exceptions to those requirements) are met.

For IRRRLs to refinance loans 30 days or more past due (which must be submitted for prior approval), the following can be included in the new loan:

- Late payments and late charges on the old loan, and
- reasonable costs if legal action to terminate the old loan has commenced.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs), Continued

f. When Can the Borrower Receive Cash at Closing?

An IRRRL cannot be used to take equity out of the property or pay off debts, other than the VA loan being refinanced. Loan proceeds may only be applied to paying off the existing VA loan and to the costs of obtaining or closing the IRRRL. Therefore, the general rule is that the borrower cannot receive cash proceeds from the loan. (If necessary, the refinancing loan amount must be rounded down to avoid payments of cash to the veteran)

The one exception is reimbursement of the veteran for the cost of energy efficiency improvements up to \$6,000 completed within the 90 days immediately preceding the date of loan closing.

Note: Use of loan proceeds for energy efficiency improvements **not** involving cash reimbursement of the veteran is also an option. See [section 3 of chapter 7](#)

In addition, there are situations which come about at closing which may result in the borrower receiving cash. Some examples of situations for which VA does not object to the borrower receiving cash are

- computational errors
- changes in final pay-off figures
- up-front fees paid for the appraisal and/or credit report that are later added into the loan, and
- refund of the escrow balance on the old loan. This often occurs when a party other than the present holder originates the loan.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs),

Continued

**f. When Can
the Borrower
Receive Cash at
Closing?
(continued)**

While VA's policy is not to set a "ceiling" or a specific dollar limitation on cash refunds resulting from adjustments at closing, if a situation involves a borrower receiving more than \$500, consult VA as to its acceptability. Lenders and VA personnel should exercise common sense when assessing such situations and draw from basic program information to know the difference between an equity withdrawal and cash from unforeseen circumstances.

**g. Maximum
Loan**

Always use [VA Form 26-8923](#), IRRRL Worksheet, to calculate the maximum loan amount. Basically, it is:

The existing VA loan balance:

- including any late payments* and late charges, plus
- allowable fees and charges (Includes up to 2 discount points), plus
- the cost of any energy efficiency improvements, plus
- the VA funding fee.

*There should be no cases in which an IRRRL closed on the automatic basis includes delinquent payments in the loan amount. All such loans must be submitted for prior approval.

Note: There is no maximum dollar amount for VA loans. Since an IRRRL rolls the above items into the new loan, and VA guarantees at least 25% of the loan amount (without regard to the veteran's entitlement), the new loan amount may be more than the limits established by the secondary market. It is the lender's responsibility to ensure it has a marketable loan.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs), Continued

h. Amount of Guaranty and Entitlement Use

No additional charge is made to the veteran's entitlement for an IRRRL; such as, the amount of the veteran's previously used and available entitlement remains the same before and after obtaining the IRRRL.

The new IRRRL loan amount may be equal to, greater than, or less than, the original amount of the loan being refinanced. This may impact the amount of guaranty on the new loan, but **not** the veteran's use of entitlement.

Example Of New Loan Amount More Than Old Loan

The existing VA loan was originally made for \$110,000 with a guaranty of \$27,500, or 25 percent. The new IRRRL is for \$112,000. The guaranty on the new loan is \$28,000 or 25 percent, but the veteran's entitlement use remains at \$27,500.

Example Of New Loan Amount Less Than Old Loan

The existing VA loan was originally made for \$42,000 with a guaranty of \$25,000, or almost 60 percent (the percentage applicable under former law). The new IRRRL is for \$40,000. The guaranty on the new loan is \$20,000 or 50 percent, but the veteran's entitlement use remains at \$25,000.

Amount	How to calculate the amount of guaranty on an IRRRL
IRRRLs up to \$45,000	First, calculate the lesser of: <ul style="list-style-type: none">• 50 percent of the IRRRL loan amount, or• The amount of guaranty used on the VA loan being refinanced. The amount of guaranty is the greater of: <ul style="list-style-type: none">• The above result, or• 25 percent of the IRRRL loan amount.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs), Continued

h. Amount of Guaranty and Entitlement Use (continued)

Amount	How to calculate the amount of guaranty on an IRRRL
IRRRLs of \$45,001 to \$56,250	First, calculate the lesser of: <ul style="list-style-type: none"> • \$22,500, or • The amount of guaranty used on the VA loan being refinanced. The amount of guaranty is the greater of: <ul style="list-style-type: none"> • The above result, or • 25 percent of the IRRRL loan amount.
IRRRLs of \$56,251 to \$144,000	First, calculate the lesser of: <ul style="list-style-type: none"> • 40 percent of the IRRRL loan amount, or • The amount of guaranty used on the VA loan being refinanced. The amount of guaranty is the greater of: <ul style="list-style-type: none"> • The above result, or • 25 percent of the IRRRL loan amount.
IRRRLs greater than \$144,000	Guaranty on these is always 25 percent of the IRRRL loan amount.

i. Maximum Loan Term

The maximum loan term is the original term of the VA loan being refinanced plus 10 years, but not to exceed 30 years and 32 days.

For example, if the old loan was made with a 15-year term, the term of the new loan cannot exceed 25 years

j. Title/Lien Requirements

The IRRRL must replace the existing VA loan as the first lien on the same property.

- Any second lien-holder would have to subordinate.
- The borrower cannot pay off liens other than the existing VA loan from IRRRL proceeds.

The veteran (or surviving co-obligor spouse) must still own the property.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs), Continued

k. Who Can an IRRRL be Made to?

Generally, the party(ies) obligated on the original loan must be the same on the new loan (and the veteran must still own the property).

The lender should contact VA regarding a proposed IRRRL involving a change in obligors unless the acceptability of the IRRRL is clear based on information and examples in this section.

The table below provides some examples.

In Case 7 of the example table, the divorced spouse is keeping the home and wishes to refinance. The spouse cannot get an IRRRL unless the veteran agrees to be obligated on the new loan and commit his or her entitlement to the new loan. (such as, a person without entitlement cannot get an IRRRL or any other type of VA loan.)

In Cases 8 through 10 of the example table, the applicants cannot obtain an IRRRL because they do **not** include the veteran or a person who was the veteran's spouse at the time the original loan was made (and who was obligated on the loan along with the veteran).

In the case of the unmarried veteran obtaining the original loan (Case 8)

- the marriage and death of the veteran occurred after the loan was made, and
 - the deceased veteran's spouse is **not** obligated on the original loan.
- Thus**, an IRRRL is **not** possible.

In the case of the veteran and spouse obligated on the original loan (Case 9)

- The divorce, remarriage, then death of the veteran occurred after the loan was made
 - The deceased veteran's new spouse is **not** obligated on the original loan.
- Thus**, an IRRRL is not possible.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs), Continued

k. Who Can an IRRRL be Made to? (continued)

In the case of the veteran/nonveteran joint loan (Case 10)

- The veteran “sold out” to the nonveteran co-obligor after the loan was made and
 - The veteran no longer has any ownership interest in the property.
- Thus**, an IRRRL is not possible.

Parties Obligated on Old VA Loan		Parties to be Obligated on new IRRRL	Is IRRRL Possible?
1	Unmarried veteran	Veteran and new spouse	Yes
2	Veteran and spouse	Divorced veteran alone	Yes
3	Veteran and spouse	Veteran and different spouse	Yes
4	Veteran alone	Different veteran who has substituted entitlement	Yes
5	Veteran and spouse	Spouse alone (veteran died)	Yes
6	Veteran and nonveteran joint loan obligors	Veteran alone	Yes
7	Veteran and spouse	Divorced spouse alone	No
8	Unmarried veteran	Spouse alone (veteran died)	No
9	Veteran and spouse	Different spouse alone (veteran died)	No
10	Veteran and nonveteran joint loan obligors	Nonveteran alone	No

l. Underwriting of IRRRLs When Obligors Have Changed

Although VA does **not** require any credit/income documentation or re-underwriting of IRRRLs when there has been a change in obligors, lenders may want to consider the following:

- Check mortgage payment record in lieu of obtaining a full credit report, unless required by investor.
- For death or divorce cases, obtain a statement from the obligor(s) on the ability to make payments on the new loan without the co-obligor’s income.

Obtain a statement about the addition of a different spouse, change in number of dependents, such as, as applicable.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs),

Continued

l. Underwriting of IRRRLs When Obligors Have Changed (continued)

The lender should satisfy itself that the lower payment and interest rate and the minimum 25 percent guaranty compensate for no re-underwriting on the new loan when there has been a change in obligors.

m. Occupancy

For IRRRLs, the veteran or the spouse of an active service member must certify that he or she previously occupied the property as his or her home. This is different than the requirement for non-IRRRL VA loans that the veteran must intend to personally occupy the property as his or her home.

Reference: See [Chapter 3](#) for details.

n. VA Loan Identification Number

Request a new loan number for each IRRRL through [The Appraisal System \(TAS\)](#), without requesting an appraisal.

o. Credit Underwriting

No credit information or underwriting is required unless

- The loan to be refinanced is 30 days or more past due ([see section 2 of this chapter](#)) or
- the monthly payment (PITI) will increase 20 percent or more.

Reference: See [subsection d of this section](#).

A borrower with a recent [Chapter 13](#) bankruptcy may need approval of the trustee for the new loan.

p. Prior Approval Procedures

An IRRRL can be closed on an automatic basis by any lender (such as, a lender with or without automatic authority to close other types of loans on an automatic basis) in any geographic location.

Exception: For IRRRLs to refinance existing VA loans 30 days or more past due, VA prior approval is needed ([see section 2, subsection a of this chapter](#)).

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1. Interest Rate Reduction Refinancing Loans (IRRRLs), Continued

p. Prior Approval Procedures (continued)

A lender may choose to submit an IRRRL for prior approval, even if the existing loan is not 30 days or more past due. In such cases, submit only items 1 through 10 (and 17, if applicable) of the information listed under “Prior Approval Submission.” Also include an explanation of why the loan is being submitted for prior approval.

Submit documents on closed prior approval IRRRLs in accordance with the instructions under [section 2, subsection c of this chapter](#).

Note: Prior approval for IRRRLs **is not required** for veteran’s in receipt of nonservice-connected pension or for veterans rated incompetent by VA when these veterans meet the requirements of this section.

q. Procedures for Automatic Processing of IRRRLs

An IRRRL can be closed on an automatic basis by any lender (such as, a lender with or without automatic authority to close other types of loans on an automatic basis) in any geographic location.

Exception: For IRRRLs to refinance existing VA loans 30 days or more past due, VA prior approval is needed. [See section 2 of this chapter](#).

A loan must be reported (such as, all documentation submitted) to VA within 60 days of closing. A lender that fails to meet this time limit must provide a written explanation (document #13 below).

To report a loan, submit the following documents to VA in the order listed.

Order	Document
1	Lender’s cover or transmittal letter (if used).
2	VA Form 26-0285 , VA Transmittal List.
3	VA Form 26-0286 , VA Loan Summary Sheet.
4	VA Form 26-8320 (or 26-8320a), Certificate of Eligibility, or a request for a duplicate certificate on VA Form 26-1880 , Request for a Certificate of Eligibility.
5	Funding fee receipt . <input type="checkbox"/>
	Reference: See section 8 of chapter 8 for information on exemptions.

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1. Interest Rate Reduction Refinancing Loans (IRRRLs), Continued

q. Procedures for Automatic Processing of IRRRLs (continued)

Order	Document
6	<p>Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate.</p> <ul style="list-style-type: none">• The statement must show the interest rate and monthly payments for the new loan versus that for the old loan.• The statement must also indicate how long it will take to recoup ALL closing costs (both those included in the loan and those paid outside of closing).• If applicable, the veteran's statement may be combined with the lender's certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.
7	VA Form 26-8923 , Interest Rate Reduction Refinancing Loan Worksheet.
8	VA Form 26-1820 , Report and Certification of Loan Disbursement.
9	VA Form 26-8937 , Verification of VA Benefit-Related Indebtedness (if applicable).
10	HUD-1, settlement statement.
11	VA Form 26-0503 , Federal Collection Policy Notice.
12	Lender's certification that the prior loan was current (not 30 days or more past due) at the time of loan closing.
13	If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan, provides the specific reasons for late reporting and certifies that the loan is current. This statement must be submitted with any late request for issuance of a Loan Guaranty Certificate.
14	<p>Documentation of the cost of energy efficiency improvements included in the loan. For cash reimbursement of the veteran, the improvements must have been completed within the 90 days immediately preceding the date of the loan.</p> <p>Reference: See section 3 of chapter 7.</p>
15	Any other necessary documents (see section 6 of chapter 5).

2. IRRRL Made to Refinance Delinquent Loan

Change Date

September 15, 2004, Change 4

- This section has been changed to create subsection lettering.
 - Subsection a clarify the veteran's statement and the lender's certification disclosures.
 - Subsection c deletes references to funding fee forms no longer in use.
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**a. Prior
Approval
Submission**

Any IRRRL made to refinance a loan that will be 30 days or more past due as of the date of closing, must be submitted for prior approval.

The lender must first obtain sufficient information and perform sufficient analysis to determine that the

- cause of the delinquency has been resolved, and
- veteran is willing and able to make the proposed loan payments.

Submit a written proposal to VA which contains the following information

Item	Information
1	The full name of the veteran and all other parties obligated on the prior loan and to be obligated on the new loan.
2	The VA loan number and month and year of origination of the loan to be refinanced.
3	The name and address of the lender proposing to make the loan.
4	The approximate proposed loan amount, interest rate, and term for the new loan versus the old loan.
5	Discount to be charged, expressed as a percentage of the loan and a dollar amount.
6	<p>Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate.</p> <ul style="list-style-type: none">• The statement must show the interest rate and monthly payments for the new loan versus that for the old loan.• The statement must also indicate how long it will take to recoup ALL closing costs (both those included in the loan and those paid outside of closing).

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2. IRRRL Made to Refinance Delinquent Loan, Continued

a. Prior Approval Submission (continued)

Item	Information
7	<p>The appropriate certification concerning occupancy signed by the veteran or the spouse of an active-duty service member. One of the following must be signed.</p> <p>“I have previously occupied the property securing this loan as my home.”</p> <p>_____</p> <p>veteran’s signature</p> <p>“While my spouse was on active duty and unable to occupy the property securing this loan, I occupied the property securing this loan as my home.”</p> <p>_____</p> <p>spouse’s signature</p>
8	VA Form 26-8923 , Interest Rate Reduction Refinancing Loan Worksheet.
9	VA Form 26-8937 , Verification of VA Benefit-Related Indebtedness (if applicable).
10	VA Form 26-8320 (or 26-8320a), Certificate of Eligibility, or, if unavailable, a request for a duplicate certificate VA Form 26-1880 , Request for a Certificate of Eligibility.
11	Uniform Residential Loan Application (URLA) .
12	Explanation of the reason(s) for the loan delinquency, including appropriate documentation to verify the cause.
13	Documentation to verify that the cause of the delinquency has been corrected.
14	Credit report (in-file credit report is acceptable).
15	Current pay stub and telephone verification of current employment.
16	VA Form 26-6393 , Loan Analysis.
17	Documentation of the cost of energy efficiency improvements to be included in the loan, if known. See Section 3 of chapter 7. For cash reimbursement of the veteran, the improvements must be completed within the 90 days immediately preceding the date of the loan.

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2. IRRRL Made to Refinance Delinquent Loan, Continued

b. What Happens Next?

VA will inform the lender of its decision.

The lender may close the loan in reliance on a VA-issued Certificate of Commitment.

Reference: See [section 4 of chapter 5](#) for further information on the Certificate of Commitment.

c. How to Report Loan Closing and Request Guaranty

A prior approval IRRRL must be reported (such as, all documentation submitted) to VA within 60 days of closing. A lender that fails to meet this time limit must provide a written explanation (Order #9 below).

To report an IRRRL, submit the following documents to VA in the order listed.

Order	Document
1	Lender's cover or transmittal letter (if used).
2	VA Form 26-0285 , VA Transmittal List.
3	VA Form 26-0286 , VA Loan Summary Sheet.
4	Funding fee receipt. [] See section 8 of chapter 8 for information on exemptions.
5	If the loan amount has increased beyond the amount indicated on the Certificate of Commitment, an updated VA Form 26-8923 , Interest Rate Reduction Refinancing Loan Worksheet.
6	VA Form 26-1820 , Report and Certification of Loan Disbursement.
7	HUD-1 , settlement statement.
8	VA Form 26-0503 , Federal Collection Policy Notice.
9	If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan and provides the specific reason(s) why the loan was not submitted on time.
10	Any other necessary documents. (See section 6 of chapter 5 .)

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2. IRRRL Made to Refinance Delinquent Loan, Continued

**d. Treatment of
Late Payments
and Late
Charges**

All late payments and late charges (and reasonable costs if legal action to terminate the old loan has commenced) can be rolled into the new loan.

If the amount of late payments, late charges and legal costs is significant, the proposed monthly payment will be adversely impacted. Carefully analyze whether the IRRRL would benefit the veteran and not create unacceptable risk to the Government in light of the new monthly payment.

3. Cash-Out Refinancing Loans

Change Date

September 15, 2004, Change 4

- This section has been changed to create subsection lettering.
 - Subsection b has been changed to replace “CRV or NOV” with “Appraised Value.”
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a. What is a VA Cash-Out Refinancing Loan?

A cash-out refinancing loan is a VA-guaranteed loan which refinances any type of lien or liens against the secured property. The liens to be paid off may be

- current or delinquent, and
- from any source, such as
 - Tax or judgment liens, and/or
 - VA, FHA, or conventional mortgages.

Loan proceeds beyond the amount needed to pay off the lien(s) may be taken as cash by the borrower for any purpose acceptable to the lender.

A cash-out refinancing loan is limited to 90 percent of the reasonable value of the property.

The loan must be secured by a first lien on the property.

b. Maximum Loan Amount

The maximum loan amount is 90 percent of the **appraised value** plus the cost of any energy efficiency improvements plus the VA funding fee.

c. What Fees and Charges can be Included in the Loan?

While only the VA funding fee can be added to the 90 percent limit to increase the loan amount, cash proceeds from the loan may be used to pay allowable fees and charges and discount points.

The total of the following items, if paid from loan proceeds, cannot exceed 90 percent of reasonable value:

- Payoff of liens
 - allowable fees and charges (other than the funding fee)
 - reasonable discount points, and
 - cash to the borrower.
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3. Cash-Out Refinancing Loans, Continued

d. Maximum Guaranty	The maximum guaranty on cash-out refinancing loans is \$36,000, even for loans greater than \$144,000. For most other VA-guaranteed loans, the maximum guaranty is \$60,000 on loans greater than \$144,000.
e. Veteran's Entitlement	The veteran must have sufficient available entitlement for the loan. If an existing VA loan on the same property will be paid off by the refinancing loan, the entitlement used for that existing loan can be restored for purposes of obtaining the new loan.
f. Occupancy	<p>The veteran must certify that he or she intends to personally occupy the property as his or her home.</p> <p><i>Reference:</i> See section 5 of chapter 3 for details.</p>
g. Automatic or Prior Approval Processing?	Only lenders with authority to close loans automatically may close cash-out refinancing loans automatically. All others must submit these loans for prior approval by VA.
h. Lender Procedures	<p>Loan processing procedures are virtually the same as for non-refinancing loans. A full appraisal, credit information, and underwriting are required. Generally, follow the procedures described in chapter 5 of this Handbook.</p> <p>To report loan closing, submit all of the documents required for non-refinancing loans (See chapter 5) plus a statement signed by the veteran which shows:</p> <ul style="list-style-type: none">• the cash proceeds paid• an itemization of the debts paid from loan proceeds, and• the identification of those debts secured by liens of record.

4. Quick Reference Table for IRRRLs Versus Cash-Out Refinancing Loans

Change Date

September 15, 2004, Change 4

- This section has been changed to create subsection lettering.
- Subsection a has been updated to remove the reference to CRV. Certificates of Reasonable Value are no longer issued by VA.

a. Table IRRRL vs. Cash-out

The following table provides a quick reference for IRRRLs versus cash-out refinances

Feature	IRRRL	Cash-out Refinancing
Purpose	To refinance existing VA loan at lower interest rate	To pay off lien(s) of any type - can also provide cash to borrower
Interest rate	Rate must be lower than on existing VA loan (unless existing loan is ARM)	Any negotiated rate
Monthly payment amount	Payment must be lower than on existing VA loan (unless ARM being refinanced, term shortened or energy efficiency improvements included)	No requirement
Discount points	Reasonable points can be paid - only two of these points can be included in the loan amount	Reasonable points can be paid - if paid from loan proceeds, do not exceed 90 % loan limit
Maximum Loan	Existing VA loan balance plus allowable fees and charges plus up to two discount points plus the cost of any energy efficiency improvements plus the VA funding fee	90 % of the reasonable value of the property indicated on the [] NOV plus the cost of any energy efficiency improvements plus the VA funding fee
Maximum Guaranty	See section 1 subsection i of this chapter . Guaranty is at least 25 percent in all cases	\$36,000 - See section 4 of chapter 3 .

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4. Quick Reference Table for IRRRLs Versus Cash-Out Refinancing Loans, Continued

a. Table IRRRL vs. Cash-out (continued)

Feature	IRRRL	Cash-out Refinancing
Entitlement	The veteran re-uses the entitlement used on the existing VA loan - The IRRRL does not impact the amount of entitlement the veteran has in use	Must have sufficient available entitlement - if existing VA loan on the same property is being refinanced, entitlement can be restored for the refinance
Fees and Charges in Loan	All allowable fees and charges, including up to two discount points, may be included in loan	Allowable fees and charges and points may be paid from loan proceeds, subject to the 90% limit
Cash to Borrower	Not permitted	Borrower can receive cash for any purposes acceptable to the lender
Lien/Ownership	Must be secured by first lien - veteran must own property	Must be secured by first lien - veteran must own property
Refinance of Other Liens	Cannot refinance other liens - can only refinance the existing VA loan	Can refinance any type of lien(s)
Maximum Loan Term	Existing VA loan term plus 10 years, not to exceed 30 years + 32 days	30 years + 32 days
Occupancy	Veteran or spouse of active duty member must certify to prior occupancy	Veteran or spouse of active duty member must certify as to intent to occupy
Appraisal	No appraisal is required	Appraisal is required
Credit Underwriting	No underwriting is required except in certain cases	Full credit information and underwriting are always required
Automatic Authority	All lenders can close IRRRLs automatically, except if refinanced loan is 30 days or more past due, prior approval is always required	Only lenders with automatic authority can close these loans automatically
Law	38 U.S.C. 3710(a)(5)	38 U.S.C. 3710(a)(8)

5. Other Refinancing Loans

Change Date

September 15, 2004, Change 4

- This section has been changed to update formatting for subsection lettering.
 - Subsection a has been changed to include the previous subsection c.
-

a. What are they?

These consist of loans to refinance

- construction loans
- installment land sale contracts, and
- loans assumed by veterans at interest rates higher than that for the proposed refinance.

Note: These loans are like cash-out refinancing loans except:

- the maximum loan amount is different—these loans are not based on 90 percent of reasonable value, and
 - no cash is received by the borrower at close.
-

b. Maximum Loan

These loans may not exceed the lesser of

- the VA reasonable value plus the VA funding fee, or
- the sum of the outstanding balance of the loan to be refinanced plus allowable closing costs (including the funding fee) and discounts.

The cost of energy efficiency improvements can also be added to the loan.

How to Apply for a Certificate of Eligibility

Excerpt – Chapter 2, VA Lender’s Handbook

Procedures

If the applicant does not already have a Certificate of Eligibility, and the lender was unable to obtain an **ACE** generated COE, lenders may assist the veteran in following these procedures:

Step	Action
1	VA Form 26-1880, Request for a Certificate of Eligibility, from the nearest VA Home Loan Eligibility Center, other VA office, or at http://www.vba.va.gov/pubs/homeloanforms.htm .
2	Complete the form as thoroughly as possible. Failure to complete necessary items may cause delays.
3	Attach all required documentation to the form. (See Proof of Service, page 2)
4	Mail to Winston-Salem Eligibility Center, PO Box 20729 Winston-Salem NC 27120.

Application for Unmarried Surviving Spouses

Certain unmarried spouses of veterans are eligible for the VA home loan benefit (see section 5 of this chapter). If they are applying for the first time, they must complete VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility-Unmarried Surviving Spouses, instead of VA Form 26-1880.

They must complete VA Form 26-1817 and forward it to the VA Eligibility Center.

Note: Eligibility determinations for unmarried surviving spouses may take considerably longer to process than others.

How to Apply for a Certificate of Eligibility, (Continued)

Processing Time

Again, it is very important that the request for a COE be the first step in the loan process for a veteran who does **not** already have a COE.

VA will make every effort to process requests for a COE in a timely manner.

- Most can be processed within 7 days of receipt.
- Cases for which the applicant does not clearly meet the basic eligibility criteria will usually require additional development and longer processing time.

Example: A case involving an applicant who received an “other than honorable” discharge may require VA to request discharge records from the appropriate service department.

Proof of Service Requirements

Discharged Veterans (Regular Military)

DD Form 214, Certificate of Release or Discharge From Active Duty, will generally contain all the information needed for VA to make an eligibility determination for persons who served in a regular component of the Armed Forces. VA will accept originals or legible copies of the DD Form 214.

Persons separated from military service after January 1, 1950 should have received DD Form 214. Persons separated after October 1, 1979 should furnish Member 4 of DD Form 214 which includes character of service and separation reason. Persons separated from active duty before January 1, 1950 received documentation other than DD Form 214. To be acceptable it should indicate:

- length of service, and
- character of service.

How to Apply for a Certificate of Eligibility, (Continued)

Veterans Still on Active Duty

Veterans still on active duty must provide a current statement of service signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one form used uniformly by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer generated. The statement of service must clearly show:

- veteran's full name
- Social Security Number (SSN)
- date of birth
- the entry date on active duty
- the duration of lost time, if any, and
- the name of the command providing the information.

Discharged Reserve/Guard Members

There is no one form used by the Reserves or National Guard which is similar to DD Form 214.

Discharged members of the Army or Air National Guard may submit NGB Form 22, Report of Separation and Record of Service, or a points statement.

Typically, all members of the Reserves and/or Guard receive an annual retirement points summary which indicates the level and length of participation. The applicant should submit the latest such statement received along with evidence of honorable service. VA will accept originals or legible copies.

Current Reserve/Guard Members

Individuals who are still members of the Reserves/Guard must provide a statement of service signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one form used uniformly by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated.

The statement of service must clearly show

- veteran's full name
- Social Security Number (SSN)
- entry date of applicant's Reserve/Guard duty, and
- the name of the command providing the information.

Note: The statement must clearly indicate that the applicant is an "active" reservist and not just in a control group (inactive status).

How to Apply for a Certificate of Eligibility, (Continued)

Current Reserve/Guard Members

Individuals who are still members of the Reserves/Guard must provide a statement of service signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one form used uniformly by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated.

The statement of service must clearly show

- veteran's full name
- Social Security Number (SSN)
- entry date of applicant's Reserve/Guard duty, and
- the name of the command providing the information.

Note: The statement must clearly indicate that the applicant is an "active" reservist and not just in a control group (inactive status).

Assistance in Obtaining Required Proof of Service

There will be cases where an applicant discharged from service is unable to provide his or her proof of service. If the veteran has been discharged from regular active duty, submission of [VA Form 26-1880](#) to the appropriate [Eligibility Center](#) should not be delayed while the veteran attempts to obtain evidence of service since VA may be able to make a determination by referring to internal records. Otherwise, discharged reservists and other discharged vets for whom VA has no internal records should obtain an [SF 180](#), Request Pertaining to Military Records from the nearest [Eligibility Center](#), other VA Office, or at <http://www.archives.gov/>. An [SF 180](#) can be used by the veteran to request a copy of his or her DD Form 214 or equivalent.

ACE (Automated Certificate of Eligibility)

ACE allows lenders to input data about a specific veteran-borrower and obtain an eligibility determination on most cases in a matter of seconds from the Internet.

ACE eliminates completing VA Form 26-1880, Request for a Certificate of Eligibility, mailing it to an Eligibility Center and waiting for a reply by mail.

Security Monitoring

The ACE application is intended for use by lenders who have the veteran's permission to obtain an eligibility determination for them. The use of the system will be monitored for security and administrative purposes and accessing the system constitutes consent to such monitoring.

ACE (Automated Certificate of Eligibility), (Continued)

Establishing Eligibility through ACE

If eligibility is established, the lender prints out the certificate. If eligibility cannot be established, a refer message will instruct the lender to submit a completed VA Form 26-1880 to VA for processing.

If...	...Then...
Eligibility is established,	The lender prints out the COE to be submitted with the guaranty package.
Eligibility is not established,	The lender has the veteran complete VA Form 26-1880 . Once completed, the lender should send it and the veteran's proof of service to the Eligibility Center of jurisdiction.
Eligibility is established but the veteran has partial or no available entitlement,	The lender has the veteran complete VA Form 26-1880 . Once completed, the lender should send it, the veteran's proof of service and evidence of a paid in full status for the previous loan to the Eligibility Center of jurisdiction.
Eligibility is established but the print out shows no entitlement on a loan that shows paid-in-full status,	The lender has the veteran complete VA Form 26-1880 . Once completed, the lender should send it and the veteran's proof of service to the Eligibility Center of jurisdiction for restoration of entitlement processing.

Access Limits for ACE

At this time access to ACE is limited to VA recognized lenders with a valid VA assigned lender identification number through the [VA loan guaranty web portal](#).

Accessing ACE

Lenders can access ACE by using [VA loan guaranty web portal](#) and clicking on the ACE link.

Once the ACE link is accessed, lenders will see a brief paragraph about ACE. There will be a link from that paragraph to the actual ACE log-in page. Lenders may choose to bookmark that site. Once logged-in, click on **Requestors** and select which function of ACE to use.

ACE will generally be available 24 hours a day.

ACE (Automated Certificate of Eligibility), (Continued)

Limitations of ACE

ACE cannot make all determinations. Some types of cases that cannot be processed through ACE include:

- Persons whose service was or is in the Reserves/National Guard
- Persons who may have had prior VA loan(s) that went to foreclosure
- Persons who did not serve the minimum required length of service and were not discharged for an authorized exception
- Persons who were discharged under conditions other than honorable
- Persons for which VA has insufficient data to make the determination
- Persons seeking restoration of previously used entitlement
- Unmarried surviving spouses

Transfer of ACE Generated Certificates of Eligibility

ACE generated COEs cannot be transferred to another lender. Loan guaranty requests containing an ACE generated COE issued to someone other than the lender or their authorized agent will be returned.

Restoration of Previously Used Entitlement

Basic Restoration

Entitlement previously used in connection with a VA home loan may be restored under certain circumstances. Once restored it can be used again for another VA loan. Restoration of previously used entitlement is possible if

- the property which secured the VA guaranteed loan has been sold, **and** the loan has been paid in full, or
 - an eligible veteran-transferee has agreed to assume the outstanding balance on a VA loan and substitute his or her entitlement for the same amount originally used on the loan. The assuming veteran must also meet occupancy, income and credit requirements of the law.
-

Special Restoration Cases

In addition to the basic restoration criteria outlined above, a veteran may obtain restoration of the entitlement used on a prior VA loan under any of the following circumstances:

- the prior VA loan has been paid in full and the veteran has made application for a loan to be secured by the same property which secured the prior VA loan, **Note:** This includes refinancing situations in which the prior loan will be paid off at closing from a VA refinancing loan on the same property, **OR**
- the prior VA loan has been paid in full, but the veteran has not disposed of the property securing the loan. The veteran may obtain restoration of the entitlement used on the prior loan in order to purchase a different property, *one time only*. Once such restoration is effected, the veteran's Certificate of Eligibility will indicate the one time restoration. It will also advise that any future restoration will require disposal of all property obtained with a VA loan.

How to Apply for Restoration

The veteran must complete and send [VA Form 26-1880](#), Request for a Certificate of Eligibility, to the appropriate [Eligibility Center](#). If the veteran has evidence of payment in full of any prior loans (HUD-1, settlement statement, etc), a copy should be included. Additionally, any previously issued COEs should be included.

If the veteran is applying for restoration in order to obtain another VA loan on the same property (as described above in "Special Restoration Cases"), the veteran should include a copy of the loan application submitted to the lender along with [VA Form 26-1880](#). Unmarried surviving spouses applying for restoration of entitlement also need to complete [VA Form 26-1880](#) supplying the deceased veterans military service data and VA claims file number.

Occupancy

Excerpt - Chapter 3, VA Lender's Handbook

The Law on Occupancy

The law requires a veteran obtaining a VA guaranteed loan to certify that he or she intends to personally occupy the property as his or her home. As of the date of certification, the veteran must either:

- personally live in the property as his or her home, or
- intend, upon completion of the loan and acquisition of the dwelling, to personally move into the property and use it as his or her home within a reasonable time.

The above requirement applies to all types of VA guaranteed loans except Interest Rate Reduction Refinancing Loans (IRRRLs). For [IRRRLs](#), the veteran need only certify that he or she previously occupied the property as his or her home.

Example: A veteran living in a home purchased with a VA loan is transferred to a duty station overseas. The veteran rents out the home. He/she may refinance the VA loan with an [IRRRL](#) based on previous occupancy of the home.

What is a “reasonable time”?

Occupancy within a “reasonable time” means within 60 days after the loan closing. More than 60 days may be considered reasonable if both of the following conditions are met:

- the veteran certifies that he or she will personally occupy the property as his or her home at a specific date after loan closing, and
- there is a particular future event that will make it possible for the veteran to personally occupy the property as his or her home on a specific future date.

Occupancy at a date beyond 12 months after loan closing generally cannot be considered reasonable by VA.

Occupancy, (Continued)

When Can a Spouse Satisfy the Occupancy Requirement?

Occupancy (or intention to occupy) by the spouse satisfies the occupancy requirement for a veteran who is on active duty and cannot personally occupy the dwelling within a reasonable time.

Occupancy by the spouse may satisfy the requirement if the veteran cannot personally occupy the dwelling within a reasonable time due to distant employment other than military service. In these specific cases, consult your [RLC](#) to determine if this type of occupancy meets VA requirements.

Note: The cost of maintaining separate living arrangements should be considered in underwriting the loan.

For an [IRRRL](#), a certification that the spouse previously occupied the dwelling as a home will satisfy the requirement.

No family member or person other than the veteran's spouse can satisfy the occupancy requirement for the veteran.

Occupancy Requirements for Deployed Active Duty Service Members

Single or married service members, while deployed from their permanent duty station, are considered to be in a temporary duty status and able to provide a valid intent to occupy certification. This is true without regard to whether or not a spouse will be available to occupy the property prior to the veteran's return from deployment.

Occupancy After Retirement

If the veteran states that he or she will retire within 12 months and wants a loan to purchase a home in the retirement location:

- verify the veteran's eligibility for retirement on the specified date, and
 - Include a copy of the veteran's application for retirement submitted to his or her employer.
- carefully consider the applicant's income after retirement.
 - If retirement income alone is insufficient, obtain firm commitments from an employer that meet the usual stability of income requirements.

Note: Only retirement on a specific date within 12 months qualifies. Retirement "within the next few years" or "in the near future" is not sufficient.

Occupancy, (Continued)

Delayed Occupancy Due to Property Repairs or Improvements

Home improvements or a refinancing loan for extensive changes to the property which will prevent the veteran from occupying the property while the work is being completed constitute exceptions to the “reasonable time” requirement.

The veteran must certify that he or she intends to occupy or reoccupy the property as a home upon completion of the substantial improvements or repairs.

Intermittent Occupancy

The veteran need not maintain a physical presence at the property on a daily basis. However, occupancy “as the veteran’s home” implies that the home is located within reasonable proximity of the veteran’s place of employment. If the veteran’s employment requires the veteran’s absence from home a substantial amount of time, the following 2 conditions must be met:

- the veteran must have a history of continuous residence in the community, and
- there must be no indication that the veteran has established, intends to establish, or may be required to establish, a principal residence elsewhere.

Use of the property as a seasonal vacation home does not satisfy the occupancy requirement.

Unusual Circumstances

Discuss unusual circumstances of occupancy with the appropriate [VA office](#) or submit a description of the circumstances to the [VA office](#) for prior approval.

Request for Certificate of Eligibility

Please note that VA has several procedures for requesting a Certificate of Eligibility.

There are several methods to request a Certificate of Eligibility:

- **Mail VA Form 26-1880, Request for Certificate of Eligibility, *along with all supporting documentation*, to:**

**VA Eligibility Center
P O Box 20729
Winston-Salem, NC 27120**

- **Overnight Mail Service to:**

**VA Eligibility Center
251 North Main Street
Winston-Salem, NC 27155**

- **Online Internet Automated Certificate of Eligibility (ACE)
<http://vip.vba.va.gov/>**

- **IRRRL E-Mail Confirmation For Interest Rate Reduction Refinancing Loans Only, Internet request for E-mail confirmation of eligibility, in lieu of Certificate of Eligibility**

<http://www.vba.va.gov/ro/Roanoke/rlc/qiloans.htm>

By not using the above services, you lose time and money for your office, for the VA, and most importantly for the Veteran.

The Roanoke Regional Loan Center currently processes requests for Eligibility on a walk-in basis. Walk-in service should only be requested in emergency situations. We encourage you to utilize the services listed above.

You may contact the VA Eligibility Center each weekday, from 8:00 am to 4:00 pm,

- by telephone toll-free at 1-888-244-6711;
- or by e-mail at NCELIGIB@vba.va.gov

General Reference Information

VA Eligibility Center

Mailing Address	Phone Number	Overnight Address
VA Loan Eligibility Center P.O. Box 20729 Winston-Salem, NC 27120	(888) 244-6711	VA Regional Office 251 N. Main Street Winston-Salem, NC 27155

E-Mail address: NCELIGIB@vba.va.gov

Military Records

National Personnel Records Center (Military Personnel Records NPRC (MPR))
www.nara.gov/regional/mpr.html

Personnel Reserve Centers

If a reservist needs to obtain copies of point statements or other documentation that reflects 6 years participation with evidence of honorable discharge required to apply for home loan benefits contact:

Branch	Type of Form	Telephone
Army/Air National Guard	NGB 22, Report of Separation and Record of Service	(314) 592-0123
Army Reserve	DARP FM 249-2E or ARPC Fm 606, Chronological Statement of Retirement Points	(314) 592-0123
Navy Reserve	NRPC 1070-124, Annual Retirement Point Record	(800) 966-9174
Air Force Reserve	AF 526, Point Summary Sheet	(800) 525-0102
USMC Reserve	NAVMC 798	(314) 801-0800
Coast Guard Reserve	CG 4175	(314) 801 0800

Military Records Center
Email – MPRSTATUS@NARA.gov

If a veteran needs to obtain copies of discharge papers needed to apply for home loan benefits contact:

Branch	Telephone
Army	(314)592-0123
Air Force	(800) 525-0102
Navy, Marines, Coast Guard	(314) 801-0800

SF Form 180 required to request discharge papers can be found at:
www.vba.va.gov/pubs/otherforms.htm

USEFUL WEB SITES

Address (URL)	What's There?
http://vip.vba.va.gov/	Veteran's Information Portal Single sign-in gateway to ACE, TAS and other applications
www.homeloans.va.gov	Lender's Handbook, VA forms, FAQs, e-mail addresses, information pamphlets, links to lists of VA acquired homes, VA Regional Office directory
www.homeloans.va.gov/elig.htm	Eligibility Centers (eligibility information, FAQs, download 26-1880)
www.vba.va.gov/pubs/forms1.htm	VA Forms
www.nara.gov/regional/mpr.html	National Personnel Records Center (Includes information regarding obtaining military personnel records.)
www.homeloans.va.gov/train.htm	Free training on the VA home loan program, including web-based, computer-based, videotapes, and interactive TV courses.
http://homeloans.va.gov/mortlen1.htm	Find a VA approved lender in any location.
predesignteamfee@vba.va.gov	E-mail address to send comments or suggestions to the Loan Production Redesign Team
http://www.irs.gov/newsroom/article/0,,id=101262,00.html	IRS website to verify types of non-taxable military pay.

Regional Loan Centers

Atlanta, GA

Georgia, Tennessee, North Carolina, South Carolina

(888) 768-2132

Cleveland, OH

Ohio, Michigan, Indiana, Delaware, Pennsylvania,
New Jersey

(800) 729-5772

Denver, CO

Colorado, Wyoming, Montana, New Mexico,
Alaska, Utah, Idaho, Oregon, Washington

(888) 349-7541

Houston, TX

Texas, Arkansas, Oklahoma, Louisiana

(888) 232-2571

Manchester, NH

Maine, Massachusetts, Connecticut, Vermont,
New Hampshire, Rhode Island, New York

(Loan Administration)

(800) 827-0336

(Loan Production/Valuation)

(800) 827-6311

Phoenix, AZ

Arizona, Nevada, California

(888) 869-0194

Roanoke, VA

Virginia, West Virginia, Washington DC,
Maryland, Kentucky

(800) 933-5499

St. Paul, MN

Minnesota, Illinois, Iowa, Nebraska, Kansas,
Wisconsin, North Dakota, South Dakota, Missouri

(800) 827-0611

St. Petersburg, FL

Florida, Alabama, Mississippi

(888) 611-5916

Note: These Regional Offices also have fully functioning Loan Production offices:

San Juan, PR

Honolulu, HI

(787) 772-7212

(808) 433-0480